

Iowa Tax NEWS

The quarterly newsletter of the Iowa Department of Revenue and Finance

“Goods Consumed” line on sales/use tax returns commonly misunderstood

“Goods consumed” is an item typically audited and often generates additional tax, penalty and interest.

“Goods consumed” are items that you originally purchased tax free for direct resale or to be incorporated into a product for resale, but you used them in the course of your business or for other personal use instead.

Example: A hair salon purchases bottles of shampoo to be sold out of their display case. The salon did not pay sales tax to its supplier since it intends to directly resell the shampoo. However, several bottles were taken out of inventory and used in the performance of their service. The shampoo that was used is goods consumed. The salon must report the price it paid to its supplier on the goods

consumed line of the return and pay tax on it.

Example: A clothing store purchases suits tax free for resale. The owner of the store needs a new suit. The suit removed from inventory is goods consumed and the price the owner paid to the supplier must be reported and the tax must be paid.

Example (*not* goods consumed): A person who makes craft items to be sold at craft shows does not pay sales tax to suppliers for materials. These materials are incorporated into the craft items to be sold. They are not goods consumed and should not be reported on line 2.

Are you reporting local option sales tax correctly?

See page 3 of this newsletter.

Jurisdictions impose local option sales tax

Voters in the following jurisdictions have adopted the local option sales tax effective October 1, 1997. The county and county codes are listed in bold.

Allamakee (03) – Unincorporated Area

Cass (15) – Atlantic, Unincorporated Area

Floyd (34) – Charles City, Colwell

Harrison (43) – Dunlap, Little Sioux, Mondamin, Persia, Pisgah

A complete list of all current local option sales tax jurisdictions is included on page 4 of this newsletter. To get a list in alphabetical order by city and other information about the local option sales tax, go to our site on the Worldwide Web:

<http://www.state.ia.us/tax>

Route to: ☐ _____ ☐ _____ ☐ _____ ☐ _____

DEPARTMENT SERVICES

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ONLINE

Internet Address (URL)

<http://www.state.ia.us/tax>

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E-mail

iadrf@iadrf.e-mail.com

BY TELEPHONE

Taxpayer Services

from Des Moines
or out of state,

(515) 281-3114

from elsewhere in Iowa or
Rock Island-Moline or Omaha

1-800-367-3388

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To Order Iowa Tax Forms

(515) 281-7239 or
1-800-532-1531

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"Where's My Refund?"

(515) 281-4966 or
1-800-572-3944

BY FAX

Receive Iowa Tax Forms by Fax

1-800-572-3943

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Department Fax Number

(515) 242-6040

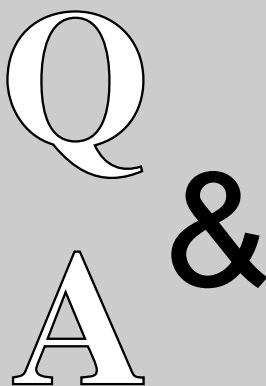
BY MODEM

ERIN (electronic bulletin board)

(515) 281-3248 or
1-800-972-2028



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Q We sell dyed diesel fuel to contractors in Iowa. Since this sale is not subject to motor vehicle fuel tax, do we charge any tax at all?

A The sale of dyed diesel fuel to contractors for off-road use is subject to Iowa sales tax. The seller of the fuel is responsible for collecting and remitting the 5 percent sales tax. Local option sales tax does not apply. The contractor is responsible for remitting 5 percent tax on these purchases if the sales tax is not properly charged.

Q I am a monthly filer. Where do I report my local option sales tax on the monthly deposit slip?

A Add your sales tax and your local option tax together. Report that total on the deposit amount line.

Learn about Iowa taxes!

For a list of classes being offered statewide, call our forms order line or access our Web site.

Q I am an Illinois-based construction contractor who frequently builds in Iowa. If I purchase materials in Illinois for use in an Iowa building project, do I have any Iowa tax liability on those materials?

A If you paid Illinois sales tax on the materials and were legally required to do so, Iowa allows a credit for those taxes. If the other state's sales tax rate is higher than or equal to Iowa's 5 percent rate, no Iowa tax is due. If the sales tax rate in the other state is less than 5 percent, the contractor pays the difference to Iowa.

Note that if you paid Illinois sales tax on the materials at the time of purchase but were not legally required to do so, Iowa will not allow a credit.

If you did not pay Illinois sales tax on the materials you use in Iowa, you must pay Iowa use tax on the materials. Do this by applying for an Iowa Retailer's Use Tax Permit and reporting the tax due on line 2 of your return.

How long did you wait for your income tax refunds?

Next year, file your Iowa and Federal returns electronically.

See your tax preparer.

Electronic filing saves time and taxpayer dollars.

Local Option Sales Tax: Are you reporting it correctly?

We have found that many businesses report local option sales tax incorrectly. This increases the time it takes to process returns, which, in turn, increases the tax dollars spent on processing. Common mistakes on collecting and reporting the tax include the following:

On the front of the return...

It is important to complete the local option portion on the back of the return. Simply giving the total on the front of the return is not enough. When this happens, we do not know which jurisdiction should receive the tax.

All sales are reported on Line 1. Do not include either the 5% state sales tax or the 1% local option sales tax.

If you had no sales this quarter, put zeroes in lines 1 and 13.		STQ	
1	Gross Sales for entire quarter	9,725	17
2	Goods Consumed for entire quarter		0
3	Total (add lines 1 and 2)	9,725	17
4	Exemptions (from line 22) for entire quarter		0
5	Taxable Amount (line 3 minus line 4)	9,725	17
6	State Sales Tax (5% of line 5) for entire quarter	486	26
7	Total Local Option Sales Tax for entire quarter	61	86
8	Total Tax (add lines 6 and 7)	548	12
9	Deposits and Overpayment Credits		
10	Balance (line 8 minus line 9)		
11	Penalty (if applicable)		0
12	Interest (if applicable, .008 per month)		0
13	Total Amount Due (add lines 10-12)	548	12

Line 6 is your 5% state sales tax only. It does not include the local option sales tax.

Line 7 is the local option sales tax which you calculated on the back of your return.

On the back of the return...

Not the tax but the gross sales made in local option tax areas in the county should be placed here.

Some businesses are collecting and reporting the tax just because the county is on the list. The

county list is given for your convenience. It does not mean that every city in that county has the local option tax. For example, the city of Des Moines is in Polk County. Polk County is included in the list, but Des Moines does not have local option tax. See page 4.

This amount is your total sales in the county that are subject to local option sales tax. It is not the local option sales tax amount itself. These amounts are also included in Line 1 Gross Sales on the front of the return..

This is the amount of local option sales tax you write on line 7 on the front of your return.

COUNTY	Code	TAXABLE SALES
ALLAMAKEE	03	
BLACK HAWK	07	
BOONE	08	
BUCHANAN	10	
BUENA VISTA	11	
BUTLER	12	
CASS	15	
CERRO GORDO	17	
CHEROKEE	18	
CHICKASAW	19	
CLAYTON	22	
CLINTON	23	
DECATUR	27	
DELAWARE	28	
DES MOINES	29	
DICKINSON	30	
DUBUQUE	31	
FAYETTE	33	
FLOYD	34	1,072.87
FRANKLIN	35	
FREMONT	36	
HANCOCK	41	
HARDIN	42	
HARRISON	43	
HENRY	44	
HOWARD	45	
IDA	47	
IOWA	48	
JACKSON	49	
JONES	53	
LEE	56	
LINN	57	
LYON	60	
MAHASKA	62	
MARSHALL	64	3,167.79
MILLS	65	
MITCHELL	66	
MONONA	67	
MONTGOMERY	69	
MUSCATINE	70	
O'BRIEN	71	
PAGE	73	
POLK	77	
POTTAWATTAMIE	78	
SCOTT	82	
SIOUX	84	
STORY	85	
WINNESHIEK	96	
WOODBURY	97	1,945.23
WORTH	98	
TOTAL TAXABLE SALES		6,185.89
Multiply Total Taxable Sales by .01		X .01
TOTAL LOCAL OPTION SALES TAX:		\$61.86
Enter on line 7 on the front of this return.		

IOWA LOCAL OPTION SALES TAX

For the quarter beginning October 1, 1997

•••All have a rate of 1 percent•••

COUNTY / CODE	JURISDICTIONS	EFFECTIVE
ALLAMAKEE / 03	Harpers Ferry, Postville, Waterville	1-1-95
	Waukon	1-1-96
	Lansing, New Albin	7-1-96
	Unincorporated Area	10-1-97
BLACK HAWK / 07	Cedar Falls, Elk Run Heights, Evansdale, Hudson, Raymond, Waterloo	4-1-91
	Dunkerton, Gilbertville, Janesville, La Porte City, Unincorporated Area	10-1-91
BOONE / 08	Berkley, Luther, Pilot Mound	4-1-89
	Boone	7-1-90
	Boxholm, Ogden, Sheldahl, Unincorporated Area	1-1-91
	Madrid	7-1-91
	Fraser	1-1-92
BUCHANAN / 10	Beaver	1-1-95
	Aurora, Lamont, Stanley	10-1-95
BUENA VISTA / 11	Albert City, Linn Grove, Marathon, Newell, Sioux Rapids, Truesdale,	7-1-91
	Alta, Lakeside, Rembrandt, Storm Lake, Unincorporated Area	10-1-95
BUTLER / 12	Allison, Aplington, Aredale, Bristow, Dumont, Greene, New Hartford, Parkersburg	1-1-97
CASS / 15	Anita, Cumberland, Griswold, Lewis, Marne, Massena, Wiota	1-1-97
CERRO GORDO / 17	Atlantic, Unincorporated Area	10-1-97
	Clear Lake, Dougherty, Mason City, Meservey, Plymouth, Rock Falls, Rockwell, Swaledale, Thornton, Ventura	7-1-92
	Unincorporated Area	1-1-93
CHEROKEE / 18	Aurelia, Cleghorn, Larrabee, Marcus, Meriden, Washta	7-1-96
CHICKASAW / 19	Alta Vista, Bassett, Fredericksburg, Ionia, Lawler, Nashua, New Hampton, North Washington, Unincorporated Area	4-1-97
CLAYTON / 22	McGregor	1-1-90
	Elkader, Garnavillo, Luana, Millville, Marquette, Saint Olaf	4-1-94
	Elkport, Farmersburg, Garber, Guttenberg, Littleport, Monona, Volga	10-1-94
	Edgewood, North Buena Vista, Strawberry Point, Unincorporated Area	10-1-95
CLINTON / 23	Andover, Calamus, Camanche, Clinton, Delmar, De Witt, Goose Lake, Grand Mound, Low Moor, Toronto, Welton, Wheatland,	10-1-89
	Charlotte, Lost Nation, Unincorporated Area	1-1-90
DECATUR / 27	Davis City, Decatur, Garden Grove, Grand River, Lamoni, Leroy, Pleasanton, Van Wert	1-1-97
DELAWARE / 28	Colesburg, Delaware, Delhi, Earlville, Greeley, Manchester, Masonville,	10-1-94
	Dundee, Dyersville, Hopkinton, Ryan, Unincorporated Area	4-1-95
	Edgewood	4-1-96
DES MOINES / 29	Burlington, Danville, Middletown, West Burlington	10-1-94
	Mediapolis, Unincorporated Area	4-1-95
DICKINSON / 30	Lake Park, Okoboji, Orleans, Spirit Lake, Superior, Terril	4-1-97
DUBUQUE / 31	Asbury, Balltown, Centralia, Dubuque,	4-1-88
	Holy Cross, Sageville, Zwingle	
	Bankston, Bernard, Epworth, Farley, Graf, Peosta, Sherrill, Unincorporated Area	7-1-88
	Cascade, Dyersville, Luxemburg, New Vienna, Rickardsville, Worthington	10-1-89
FAYETTE / 33	Arlington, Clermont, Elgin, Hawkeye, Maynard, Oelwein, Randalia, St. Lucas, Wadena, Waucoma, Westgate	1-1-95
	Fayette, West Union, Unincorporated Area	7-1-95
FLOYD / 34	Floyd, Marble Rock, Nora Springs, Rockford, Rudd	10-1-96
	Charles City, Colwell	10-1-97
FRANKLIN / 35	Coulter, Dows, Geneva, Hansell, Latimer, Sheffield	10-1-95
	Hampton, Popejoy, Unincorporated Area	10-1-96
FREMONT / 36	Farragut, Hamburg, Imogene, Randolph, Riverton, Shenandoah, Sidney, Tabor, Thurman, Unincorporated Area	1-1-96
HANCOCK / 41	Corwith, Crystal Lake, Garner, Goodell, Kanawha, Klemme, Woden	1-1-96
HARDIN / 42	Britt	1-1-97
	Alden, Buckeye, Eldora, Hubbard, Iowa Falls, Radcliffe, Steamboat Rock, Unincorporated Area	4-1-96
HARRISON/43	Ackley, New Providence, Owasa, Union, Whitten	1-1-97
	Dunlap, Little Sioux, Mondamin, Persia, Pisgah	10-1-97
HENRY / 44	Coppock, Hillsboro, Mount Pleasant, Mount Union, New London, Olds, Rome, Salem, Westwood, Winfield	10-1-95
	Wayland, Unincorporated Area	1-1-96

COUNTY / CODE	JURISDICTIONS	EFFECTIVE
HOWARD / 45	Chester, Cresco, Lime Springs, Protivin	1-1-94
	Elma, Unincorporated Area	7-1-94
	Riceville	1-1-95
IDA / 47	Galva	4-1-97
IOWA / 48	Ladora, North English, Parnell, Williamsburg	4-1-94
	Marengo, Millersburg, Victor, Unincorporated Area	4-1-95
JACKSON / 49	Baldwin, La Motte, Miles, Preston, Sabula, Saint Donatus, Spragueville, Springbrook,	10-1-89
	Bellevue, Zwingle	4-1-91
	Maquoketa, Monmouth	10-1-94
JONES / 53	Andrew, Unincorporated Area	1-1-95
	Cascade, Center Junction, Morley, Olin, Onslow, Oxford Junction	4-1-95
	Monticello, Wyoming	1-1-96
LEE / 56	Fort Madison, Franklin, Keokuk, Montrose	10-1-91
	St. Paul	1-1-93
	Donnellson, Houghton, West Point, Unincorporated Area	1-1-95
LINN / 57	Bertram	1-1-86
LYON / 60	Alvord, Doon, George, Inwood, Lester, Little Rock, Rock Rapids, Unincorporated Area	10-1-96
MAHASKA / 62	Barnes City, Beacon, Fremont, Keomah Village, Leighton, New Sharon, Oskaloosa, Rose Hill, University Park, Unincorporated Area	4-1-95
	Eddyville	10-1-95
MARSHALL / 64	Liscomb	1-1-97
MILLS / 65	Emerson, Henderson, Malvern, Tabor	1-1-96
MITCHELL / 66	Carpenter, Mitchell, Orchard, Osage, Riceville, St. Ansgar, Stacyville	1-1-95
	McIntire, Unincorporated Area	7-1-95
MONONA / 67	Blencoe, Castana, Mapleton, Moorhead, Onawa, Rodney, Soldier, Turin, Ute, Whiting, Unincorporated Area	7-1-90
MONTGOMERY / 69	Coburg, Elliott, Stanton, Villisca	1-1-96
	Grant	4-1-96
MUSCATINE / 70	Atalissa, Conesville, Fruitland, Muscatine, Stockton, Wilton	7-1-94
	Nichols, Unincorporated Area	1-1-95
	Durant, West Liberty	7-1-95
O'BRIEN / 71	Archer, Calumet, Paullina, Primghar, Sanborn, Sheldon, Sutherland, Unincorporated Area	1-1-96
PAGE / 73	Blanchard, Braddyville, Coin, College Springs, Essex, Shambaugh, Shenandoah, Yorktown	1-1-96
	Clarinda, Hepburn, Northboro, Unincorporated Area	7-1-96
POLK / 77	Polk City	1-1-86
	Sheldahl	7-1-87
POTTAWATTAMIE / 78	Macedonia, Minden	1-1-89
	Council Bluffs	4-1-90
	Avoca, Carson, Carter Lake, Crescent, Hancock, McClelland, Neola, Oakland, Treynor, Underwood, Walnut Unincorporated Area	1-1-95
SCOTT / 82	Bettendorf, Blue Grass, Buffalo, Davenport, Dixon, Donahue, Eldridge, LeClaire, Long Grove, Maysville, McCausland, New Liberty, Panorama Park, Princeton, Walcott, Riverdale, Unincorporated Area	1-1-89
	Durant	4-1-97
SIoux / 84	Alton, Boyden, Chatsworth, Granville, Hawarden, Hull, Ireton, Matlock, Maurice, Orange City, Sioux Center, Unincorporated Area	10-1-95
	Hospers, Rock Valley, Sheldon	7-1-96
STORY / 85	Ames, Huxley	1-1-87
	Cambridge, Collins, Colo, Gilbert, Kelley, McCallsburg, Roland, Sheldahl, Slater, Unincorporated Area	7-1-87
	Nevada, Maxwell, Zeiring	1-1-89
	Story City	10-1-90
WINNESHIEK / 96	Decorah	4-1-91
	Calmar, Castalia, Fort Atkinson, Jackson Junction, Ossian, Ridgeway, Spillville, Unincorporated Area	7-1-91
WOODBURY / 97	Bronson, Cushing, Merville, Oto, Salix, Sergeant Bluff, Sioux City, Sloan	1-1-87
	Anthon, Correctionville, Danbury, Hornick, Lawton, Pierson, Smithland, Unincorporated Area	10-1-88
WORTH / 98	Fertile, Grafton, Hanlonton, Joice, Kensett, Manly, Northwood	1-1-97
	Unincorporated Area	7-1-97